

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 OIC-02 AGRE-00 CIAE-00
COME-00 INR-07 LAB-04 NSAE-00 EPG-02 SP-02 STR-04
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-----079028 261037Z /17/64

O O 252204Z JUL 77 ZDK ZFF 4
FM AMEMBASSY LONDON
TO AMEMBASSY BRASILIA NIACT IMMEDIATE
INFO AMCONSUL RIO DE JANEIRO IMMEDIATE
AMCONSUL SAO PAULO IMMEDIATE
SECSTATE WASHDC IMMEDIATE 6456

C O N F I D E N T I A L LONDON 12242

C O R R E C T E D C O P Y (OMISSION TEXT PARA 3 LINE FOUR)

FOR CHARGE FROM ASSISTANT SECRETARY KATZ

E.O. 11652: GDS
TAGS: EPAP, OCON, BR
SUBJECT: SUGAR CONSULTATIONS -- RESTRICTED
PARTICIPATION BY BRAZIL

REF: LONDON 12066

1. AS YOU ARE AWARE EFFORTS TO NEGOTIATE A NEW INTER-
NATIONAL SUGAR AGREEMENT (ISA) WERE DEADLOCKED IN
GENEVA LAST MAY; HOWEVER, AGREEMENT WAS REACHED TO CON-
SULT IN LONDON TO SEE IF A SUITABLE BASIS EXISTED FOR
RESUMING NEGOTIATIONS IN SEPTEMBER. THESE CONSULTATIONS

ARE NOW IN PROGRESS. AFTER FOUR DAYS OF INTENSIVE WORK
SUBSTANTIAL PROGRESS HAS BEEN MADE TOWARD RESOLVING KEY
ISSUES AND MOMENTUM SEEMS TO BE DEVELOPING TOWARD A NEW
ISA. A CLOUD ON THE HORIZON HAS BEEN A SURPRISING
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RETICENCE ON THE PART OF THE BRAZILIAN DELEGATION TO PLAY
THEIR TRADITIONAL LEADERSHIP ROLE. BRAZIL IS THE KEY
TO A SUCCESSFUL OUTCOME OF THE PRESENT CONSULTATIONS AND
TO ACHIEVING AN ISA.

2. THE REASONS FOR BRAZILIAN RETICENCE ARE NOT CLEAR.
FOR YOUR BACKGROUND ONLY, NEWNESS OF BRAZILIAN DELEGATE
PINHEIRO TO SUGAR TALKS MAY BE A FACTOR BUT WE GATHER

THAT BRAZILIA'S INSTRUCTIONS TO ITS DELEGATION ARE NOT CONSIDERED BY DELEGATION RELEVANT TO ISSUES BEING DISCUSSED. IN THIS REGARD BRAZIL ALL TOO OFTEN HAS REMAINED SILENT, WHILE EVEN CUBA IS BEGINNING TO SHOW SIGNS OF SOME FLEXIBILITY ON ISSUES SUCH AS STOCKS AND STOCK FINANCING. END FYI.

3. WE VIEW THE LONDON CONSULTATIONS AS CRUCIAL TO REACHING AGREEMENT. SHOULD NO PROGRESS BE MADE IN LONDON THERE WILL BE NO BASIS FOR RESUMPTION NEGOTIATING CONFERENCE IN SEPTEMBER. THIS COULD WELL RESULT IN

DOMESTIC SUGAR POLICY WHICH WOULD BE MUCH LESS FAVORABLE OUTCOME FOR SUGAR PRODUCERS. AS YOU MAY KNOW LEGISLATION IS NOW PENDING WHICH WOULD RESULT IN SIGNIFICANT REDUCTION SUGAR IMPORTS TO U.S.

4. IN VIEW OF ABOVE BACKGROUND IT WOULD BE MOST HELPFUL IF EMBASSY BRASILIA COULD APPROACH THE FOB AT A HIGH /LEVEL TO AGAIN STRESS THE VITAL IMPORTANCE OF THIS WEEK'S CONSULTATION FOR SUCCESSFUL ISA NEGOTIATIONS BENEFICIAL TO BRAZIL AND US ALIKE. IF EMBASSY AGREES IT WOULD ALSO PROVE USEFUL FOR CONGEN RIO TO APPROACH IAA IN A SIMILAR FASHION. THE TRADITIONAL DIFFERENCES BETWEEN THE FONMIN AND IAA SEEM TO BE A CONTRIBUTORY FACTOR TO BRAZIL'S SILENCE.

5. IN YOUR APPROACH YOU MAY WISH TO DRAW UPON THE FOLLOWING TALKING POINTS:
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--THE US CONTINUES TO PREFER AN ISA TO A DOMESTIC SUGAR PROGRAM. IN ANY CASE THE U.S. DOES NOT INTEND TO RETURN TO A SYSTEM OF COUNTRY QUOTAS. THE IAA MAY NOT BE GETTING ACCURATE, UNBIASED INFORMATION FROM WASHINGTON ON THIS POINT.

--BRAZIL HAS TO PARTICIPATE TO PROTECT ITS OWN INTERESTS.

--WE CONTINUE TO LOOK TO BRAZIL AS A LEADER IN THE SUGAR CONFERENCE AND DEEM THEIR ACTIVE PARTICIPATION TO BE VITAL TO A SUCCESSFUL OUTCOME OF THE LONDON CONSULTATIONS.

--WE ARE SURPRISED BY PASSIVE ATTITUDE BY BRAZIL IN CURRENT CONSULTATIONS. BRAZIL'S FAILURE TO PARTICIPATE ACTIVELY IN THE LONDON MEETINGS IS APPARENT TO BOTH EXPORTERS AND IMPORTERS--AND REMARKED UPON INCREASINGLY.

--BRAZIL WILL COME OUT WORSE IN BOTH THE US AND WORLD MARKETS IF WE DO NOT DEMONSTRATE RAPID PROGRESS TOWARD ISA. THEY WILL HAVE RESTRICTED ENTRY TO THE US MARKET; WORLD PRICES WILL CONTINUE DEPRESSED.

--WE NEED BRAZIL'S HELP URGENTLY IN PUTTING TOGETHER PACKAGES WHICH CAN GAIN SUPPORT OF MAJOR PARTICIPANTS

SO THAT CONFERENCE CAN BE BROUGHT TO SUCCESSFUL CON-
CLUSION IN SEPTEMBER.

BREWSTER

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